

Finance Minister's Speech

Global Cooperation on Sustainable Growth and Development: Views from G-20 Countries

(September 13, 2011)

Dr. Isher Judge Ahluwalia, Chairperson ICRIER,
Dr. Parthasarathi Shome, Director and Chief Executive ICRIER
Distinguished Participant,
Ladies and Gentlemen,

It gives me great pleasure to join you at this international conference on 'Global Cooperation on Sustainable Growth and Development.' I understand that the conference has been organised around 5 broad thematic areas - global imbalances, financial regulation, international monetary system, development, and commodity markets. In each of these areas, the world is facing several immediate challenges and these issues are therefore the subject of ongoing discussions in the G 20. I congratulate ICRIER and its partners for organizing this timely conference and bringing together eminent academics and policymakers from across 14 countries, to deliberate on these critical issues.

2. The G 20 demonstrated its relevance to international policy making with the success of its coordinated response on the fall-out of the global financial crisis. The economic downturn was moderated and growth resumed in the second half of 2009 in most economies, although the pace

of recovery remained uneven. Advanced economies grew more slowly than before, while emerging economies like China and India led the way, with Latin America and Africa following closely. It appeared that policy makers had learnt their lessons from history by honing and harmonising the use of macro-economic policy and keeping markets open. At the same time, countries in the developed and the developing world adopted revival strategies in keeping with the needs of their respective contexts.

3. Developments in recent months have been less encouraging. There is widespread apprehension that even the tepid global economic recovery that we have seen so far is stalling. Growth in most advanced economies has declined in the second quarter of 2011 and emerging markets are witnessing a combination of moderation in growth and rising inflation.

4. Advanced economies, the Euro zone and the US, are seized with sovereign debt problems. This is making financial markets nervous. Elevated fiscal deficits and public debt have always followed deep recessions in the past, which could be overcome with stronger recovery in output. In the present instance, the nominal output is yet to reach the pre-crisis levels. There are structural constraints coming in the way of advanced economies returning to their trend growth path. As a result, their fiscal position looks increasingly unsustainable. Despite the aggressive fiscal and monetary policy, unemployment continues to be at its highest in many advanced countries. The question is what more can policy makers do to improve growth or to avoid another downturn. While Europe has started fiscal tightening in response to an adverse market response, the United

